Appendix B

Cost Estimates for the Federal Government

APPENDIX B. COST ESTIMATES FOR
THE FEDERAL GOVERNMENT

Estimated Federal costs for the MRDP were presented in Chapter IV. This appendix provides information on how these estimates were made.

A.   COST ESTIMATES FOR THE MRDP PROGRAM AS IMPLEMENTED

1.   OBTAINING PRELIMINARY ESTIMATES

The first step in calculating Federal estimates was to obtain from INS staff estimates of total costs for the three pilot programs authorized under the Illegal Immigration Reform and Immigrant Responsibility Act. These preliminary estimates covered the period from January 1997 through April 2000. As noted in Chapter IV, no formal records were available for estimating many of these costs.

2.   BREAKDOWN OF CURRENT COSTS INTO START-UP COSTS AND OPERATING COSTS

The evaluation team made a preliminary attempt to divide the costs provided by INS into start-up costs and operating costs. They then met with INS staff to review these estimates and to clarify what information was included in the various categories. For example, some but not all of INS's original cost estimates were for all Systematic Alien Verification for Entitlements (SAVE) programs. INS and the evaluation team discussed the best way to allocate these costs across programs. Fixed costs that would have been incurred in the absence of the pilot programs (e.g., development costs for software used by SAVE to administer both the benefit-related programs and the pilot programs) were excluded from the cost figures.[1] Other costs (e.g., Headquarters salaries for pilot program staff) were prorated among the pilot programs.

3.   FURTHER BREAKDOWN OF OPERATING COSTS

Once a total operating cost for each major item had been estimated, the evaluation team annualized the operating costs by dividing the historical costs by the number of years on which they were based. At that point, no adjustment was made for inflation.

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[1] Excluded were costs for developing the Verification Information System (VIS) ($6.25 million) and the web access method of employment verification ($510,000). VIS and web access comprise the new equipment and software platform developed for all of the SAVE programs.

For each of the major cost categories listed in Exhibit IV-4, the evaluation team broke the estimated annual cost into the following types of costs related to the MRDP program:[2]

- Fixed costs

- Cost per establishment

- Cost per new establishment

- Cost per SSA office

- Cost per INS office

- Cost per query

- Cost per SSA referral visit

- Cost per INS second-stage verification

For each cost category, the average annual number of units was also estimated.

4. ADDITIONAL NOTES ON SPECIFIC COSTS

a. INS HEADQUARTERS SALARIES AND EXPENSES

INS was able to provide a good estimate for the total salaries of SAVE staff working on the pilot employment verification projects. SAVE staff estimated that approximately 10 percent of their time was devoted to the MRDP program at the time of the interview. This percentage seems reasonable, given that the MRDP program was far smaller than the Basic Pilot program during this time. The primary task of INS Headquarters staff is to develop policies and systems for the pilot programs. These functions should not be particularly sensitive to measures of pilot program size, such as the number of employers. The evaluation team therefore estimated that 85 percent of INS Headquarters annual costs were for fixed expenses.

Because of the way that budgeting is performed at INS, individual operating units are aware of their total salary costs but not all of the non-salary expenses associated with their employees. Many indirect costs, such as employee benefits, are included in other budget lines. INS provided an internal report that broke down total costs for different types of employees into salary, overhead items (such as training, communications equipment, and office supplies), and employee benefits. An analysis of this information indicated that total INS costs per employee were approximately 2.5 times the employee's base salary. Therefore, the evaluation team estimated that total salary and other costs were 2.5 times the INS estimate of salary costs.

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[2] For any major cost category, only some of the types of costs were applicable. The relevant types of costs were INS Headquarters salaries; INS field personnel; verification query costs; production of computer disks, manuals, and pilot notices; and systems operation and maintenance costs. Costs related to the Social Security Administration (SSA) were excluded.

INS staff also estimated the percentage of their time spent in dealing with establishments, but they could not estimate how their time was split between new establishments and ones that had been in operation for a longer time. The evaluation team believed that establishments new to the pilot program would have more questions than establishments that had more experience with the program. The total expenditure for answering questions was therefore broken down into costs per new employer and costs per experienced employer; costs for new employers were estimated to be five times those of more experienced employers.

b. INS FIELD PERSONNEL

INS was able to provide the evaluation team with the number and approximate grade levels of Immigration Status Verifiers (ISVs) and their supervisors who were responsible for processing most of the tentative nonconfirmation cases in the Los Angeles office.[3] To estimate the total salary expense for these employees, the evaluation team used Federal salary levels for Los Angeles in 2000 for employees at step 3 in their respective grades.

The Los Angeles ISVs and their supervisors both indicated that the normal workload for an ISV was 70 cases a day. The average ISV was assumed to work 218 days a year (i.e., 261 total weekdays a year minus 13 sick days, 20 vacation days, and 10 holidays). Thus, the average ISV was assumed to complete 15,260 cases a year. Because there were 3 supervisors for 21 ISVs[4] in the Los Angeles office, one-seventh of the salary of a GS-9 was added to the ISV salary to estimate the total cost of completing 15,260 cases. The same ratio of total employee-related costs to salaries (2.5) that was used for Headquarters staff was used for field staff. The above information yielded an estimated per-case cost of $5.62 for the Los Angeles ISVs, as follows:

$$[(\$28,770 + \$38,945/7)*2.5]/15,260$$

The estimate of $5.62 does not include costs associated with ISVs in other offices because, according to the Los Angeles ISVs, these other staff were involved only in "walk-in" cases in their offices (a fairly rare occurrence) and in cases where the Los Angeles ISV needed information from the noncitizen's local office to complete the case. It therefore seemed reasonable to estimate that the costs for these other ISVs would add 10 percent to the employee costs for Los Angeles ISVs, for a total per-case cost of $6.19 for cases that go to secondary verification at INS.[5]

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[3] INS indicated that the ISVs were at either the GS-5 or GS-7 level but did not indicate what percentage were at these levels. The evaluation team therefore used a salary level halfway between the GS-5 and GS-7 levels in its estimates. Supervisors were at the GS-9 level.

[4] The total salaries for these staff could not be used, because the ISVs also handled verification for benefit-related programs and for a State-run pilot program, in addition to the INS employment verification programs.

[5] This cost includes any work that the ISVs must do for cases that are contested by employees, since Los Angeles ISVs are responsible for following an assigned case to its conclusion whether or not it is contested.

c.   *SSA SALARIES AND EXPENSES*

SSA's primary cost for the pilots was the cost of handling cases that were contested at its field offices. SSA estimates that it spent $10.81 for each case contested.

d.   *VERIFICATION QUERY COSTS*

Because a contractor performed most of the verification query work, INS had good estimates of these costs.

e.   *PRODUCTION OF COMPUTER DISKS, MANUALS, AND PILOT NOTICES*

Tasks such as producing computer disks, manuals, and notices typically entail a fixed cost for setting up the production process, plus a per-item cost. However, the breakdown of the costs into these components is not known precisely.

f.   *SYSTEMS OPERATION AND MAINTENANCE*

INS reported that the systems operation and maintenance costs depended on the number of problems encountered. The evaluation team assumed that most problems would arise regardless of the size of the system. However, it also seems reasonable that the likelihood of problems occurring (or being detected) increases with the number of system users. Therefore, the evaluation team assumed that some of the systems costs would be proportional to the number of establishments enrolled in the pilot program. The proration of fixed and variable costs was approximate.

g.   *CARD READER COSTS*

According to INS, the cost of a card reader is approximately $400. However, some establishments have more than one card reader. It was estimated that the average Federal expense for providing the card reader to an establishment was $500 for the initial year. Annual expenses for maintenance and replacement were estimated at $100 per establishment participating in the program.

5.   **INFLATION ADJUSTMENT**

Because the cost estimates for the MRDP were derived in large part from cost figures provided early in the implementation of the pilot, the evaluation team adjusted all of the cost estimates for inflation, using the Consumer Price Index for 1997-2000.

6.   **ESTIMATION OF RELEVANT UNITS**

a.   *ESTABLISHMENTS*

The number of establishments in the MRDP program was calculated from the information INS maintained on the number of signed Memorandums of Understanding (MOUs) on a monthly basis. These monthly figures were cumulated to estimate the

average number of employers with signed MOUs during the period for which the evaluation team had cost figures.

b. *NEW ESTABLISHMENTS*

The number of establishments newly enrolled in the MRDP program was estimated by annualizing the number of monthly enrollments recorded by INS during the base period.

c. *INS OFFICES*

INS provided a list of ISVs within INS district offices. Fifty field offices had ISVs who serviced all three pilot programs. The evaluation team assumed that 25 of these offices serviced MRDP cases, since the MRDP was considerably smaller than the MRDP program.

d. *QUERIES*

The annual number of queries for the MRDP program was obtained from the MRDP transaction database.